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S&P U.S. Local Governments 2025 Outlook: A Stable Start To The Year While Prospects Look Precarious

Sector View: Stable

- Economic and federal policy uncertainty heightens the importance of fiscal management in preserving credit quality, and could strain U.S. local government finances in 2025.
- Although we don't expect a significant change in the magnitude of downgrades, we do expect fiscal buffers accumulated in the past three years will erode, heightening instability in a sector that has remained remarkably steady since the pandemic.
- Weaker economic growth will make regaining stability more difficult if it's lost. We expect most governments will close any gaps that arise, but only if federal policy shifts don't create economic pressure that makes gap-closing impossible.

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8 Jan, 2025

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